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January 27, 2005

Honorable Francis C. Heitmeier, Chairman
Honorable John A. Alario, Jr., Vice Chairman
Joint Legislative Committee on the Budget
P. O. Box 44294
Baton Rouge, LA 70804

Re: Exceptional Performance and Efficiency Incentive Program
Proposal by the Department of Revenue, Office of Tax
Administration, Field Audit Services Division

Dear Senator Heitmeier and Representative Alario:

In accordance with Louisiana Revised Statute (R.S.) 39:87.5(D)(8), we have completed our analysis of the material and substantive accuracy of the proposal submitted by the Department of Revenue, Office of Tax Administration, Field Audit Services Division for a financial reward based on the Exceptional Performance and Efficiency Incentive Program. State law and program rules require our findings to be submitted to the Performance Review Subcommittee no later than January 31.

The department bases its proposal on the exceptional performance of the Field Audit Services Division staff in audit collections in fiscal years 2001-02, 2002-03, and 2003-04. The Field Audit Services Division is the enforcement division primarily responsible for the discovery, generation, and collection of tax revenue that would otherwise go unreported and uncollected. According to the proposal, collections during fiscal years 2001-02, 2002-03, and 2003-04 totaled over \$100 million each year. From fiscal years 1996-97 through 2000-01, the field audit collections averaged \$74 million per year. The Field Audit Services Division achieved this increase in collections even though the number of auditors has decreased. The department attributes this achievement to the hard work and dedication of the field audit staff and their tremendous efforts in enforcing the tax laws of the state.

We verified the data in the proposal that the department supplied to support its claims related to exceptional performance. We also reviewed documents that support the amount of its reward request.

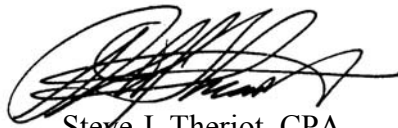
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In summary, we found the following:

- **The department is seeking a reward for non-recurring expenditures in the amount of \$189,750.** The reward will be used to replace 115 laptop computers used by the field auditors and field supervisors at a cost of \$1,650 each.
- **The information presented in the proposal is materially accurate.**

I hope this information is useful in your legislative decision-making. A copy of this information has been provided to the Department of Revenue.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve J. Theriot', with a large, stylized flourish at the end.

Steve J. Theriot, CPA
Legislative Auditor

SJT/ss

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